

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-06 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 L-03 H-02 PA-02 PRS-01 AGRE-00
/102 W

-----115744 112123Z /62

R 110801Z JAN 78
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC 380
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
AMCONSUL MUNICH
USMISSION USNATO

UNCLAS BUDAPEST 0175

E.O. 11652: N/A
TAGS: ECBP, HU
SUBJECT: GOH ANNOUNCES PRICE RISES

REF: BUDAPEST 4333

1. THE HUNGARIAN NATIONAL TLTERIAL AND PRICE CONTROL
OFFICE (NMPKO) ANNOUNCED A NUMBER OF CONSUMER PRICE
INCREASES EFFECTIVE JANUARY 9, 1978. THE INCREASES, WHICH
ARE A BELATED REACTION TO INCREASES IN WORLD PRICES, WILL
EFFECT MAINLY COFFEE, CHOCOLATE AND OTHER COCOA PRODUCTS,
TROPICAL FRUITS, CERTAIN METAL PRODUCTS AND BUILDING
COSTS.

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2. ACCORDING TO THE NMPKO ANNOUNCEMENT PUBLISHED IN
NEPSZABADSAG AND OTHER PAPERS JANUARY 8, PRICES OF
ROAST COFFEE WILL INCREASE AN AVERAGE OF 50 PERCENT
AND INSTANT COFFEE PRICES WILL INCREASE 30 PERCENT.
TROPICAL FRUIT PRICES WILL INCREASE AN AVERAGE OF 8
PERCENT. FRUITS WITHIN THIS CATEGORY ARE LEMONS
(5 PERCENT PRICE INCREASE), ORANGES AND BANANAS

(7 TO 9 PERCENT PRICE INCREASE), AND DATES AND RAISINS
(10 PERCENT PRICE INCREASE).

3. CANDIES AND SWEETS WILL INCREASE AN AVERAGE OF
25 PERCENT. THE ANNOUNCEMENT ATTRIBUTES THIS RISE TO
THE INCREASE IN WORLD COCOA BEAN PRICES (250 PERCENT
INCREASE IN TWO YEARS) AND TO THE SUGAR PRICE INCREASE
OF DECEMBER 1975 WHICH WAS NOT AT THAT TIME PASSED ON
TO THE CONFECTIONERY INDUSTRY. PRICE
INCREASES WILL VARY FROM 13 PERCENT FOR CAKES AND
COOKIES TO 33 PERCENT FOR CHOCOLATE CANDY.

4. FOLLOWING ON THE EARLIER ANNOUNCEMENT (REFTEL)
OF AN INCREASE IN METAL INDUSTRY PRODUCERS' PRICES,
PRICES OF A NUMBER OF CONSUMER GOODS WITH HIGH METAL
CONTENT HAVE ALSO BEEN INCREASED. AMONG THE ITEMS
SPECIFICALLY MENTIONED ARE THIN SHEET METAL (UP 21
PERCENT), GAS AND WATER PIPES (UP 25 PERCENT),
AGRICULTURAL HAND TOOLS (UP 60 PERCENT ON AVERAGE),
SCREWS (UP 20 PERCENT), NAILS (UP 16 PERCENT), AND
BICYCLES (UP 15 PERCENT). THE INCREASED METAL PRICES
WILL NOT BE PASSED ON IN PRODUCTS WHICH ARE ESPECIALLY
IMPORTANT TO LOW-INCOME AND LARGE FAMILIES, SUCH AS
DRIERS, NON-AUTOMATIC WASHERS, AND BABY CARRIAGES.
THE STATE BUDGET WILL COVER INCREASED COSTS IN THESE
PRODUCTS. THE ANNOUNCEMENT ALSO NOTES THAT THE PRICE
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RISES IN IRON METALLURGICAL PRODUCTS WILL INCREASE
BUILDING COSTS. IN ORDER NOT TO INCREASE THE CASH
EXPENSES OF THE POPULATION IN CONNECTION WITH HOME
BUILDING, CREDIT TERMS WILL BE LIBERALIZED, PRIMARILY
BY INCREASING THE LIMITS ON MORTGAGES.

5. THE ANNOUNCEMENT EXPLAINS THAT STATE SUBSIDIES
MAINTAIN THE CONSUMER PRICES OF BASIC FOODS (MEAT,
MILK, DAIRY PRODUCTS, ETC) AT PRICES LOWER THAN
PRODUCERS' COSTS. THE CONSUMER PRICES OF LUXURY GOODS
SUCH AS COFFEE, ON THE OTHER HAND, WERE ORIGINALLY
ABOVE THE IMPORT COST. WITH LARGE INCREASES IN WORLD
PRICES OF THESE GOODS IN RECENT YEARS, DOMESTIC PRICES
HAVE DROPPED BELOW THE IMPORT COST, THIS NECESSITATING
PRICE INCREASES. THE ANNOUNCEMENT NOTES THAT STATE
SUBSIDIES FOR COFFEE IN 1977 REACHED FOUR BILLION
FORNITS. INCREASES IN METAL PRICES ARE ALSO DUE TO
INCREASED RAW MATERIAL IMPORT PRICES. THE ARTICLE NOTES
THAT IT IS HOPED THAT THE INCREASED PRICES OF METAL
PRODUCTS WILL STIMULATE DOMESTIC PRODUCTION OF ARTICLES
WHICH HAVE BEEN IN SHORT SUPPLY, ESPECIALLY AGRICULTURAL
TOOLS.

6. THE ANNOUNCEMENT ESTIMATES THAT THESE INCREASES
WILL RAISE THE OVERALL CONSUMER PRICE INDEX
BY 1.8 PERCENT. THE 1978 PLAN ALLOWS A MAXIMUM 4 PERCENT
INCREASE FOR THE YEAR, SO THE CPI CAN FURTHER INCREASE
BY A MAXIMUM 2.2 PERCENT "AS A RESULT OF ENTERPRISE
INITIATIVES AND MARKET EFFECTS."
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 11 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BUDAPE00175
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780016-1123
Format: TEL
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780177/aaaacndx.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 4995eae4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 BUDAPEST 4333
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3795567
Secure: OPEN
Status: NATIVE
Subject: GOH ANNOUNCES PRICE RISES
TAGS: EFIN, HU
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/4995eae4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014